

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MECOM POWER AND CONSTRUCTION LIMITED

澳能建設控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1183)

CONTINUING CONNECTED TRANSACTIONS

**(1) PROJECT AND SUPPLY WORKS — REVISION OF
EXISTING ANNUAL CAP AND
SETTING OF NEW ANNUAL CAPS;**

AND

**(2) FACILITY MANAGEMENT SERVICES — REVISION OF
EXISTING ANNUAL CAPS**

PROJECT AND SUPPLY WORKS — REVISION OF EXISTING ANNUAL CAP AND SETTING OF NEW ANNUAL CAPS

As set out in the Prospectus, the Group provides Project and Supply Works (including the Melco Project and Supply Works to COD Resorts and the SC Project and Supply Works to the SC Companies) from time to time which constitute continuing connected transactions of the Company and are subject to the aggregate annual cap of MOP128.4 million for the year ending 31 December 2018.

On 31 July 2018, EHY Construction and Engineering (an indirect wholly-owned subsidiary of the Company and as the contractor) entered into the New COD Framework Agreement with COD Resorts (as the employer) for the provision of additional Melco Project and Supply Works for a term from 1 July 2018 to 30 June 2021 (both days inclusive) and a maximum contract amount of HK\$600 million (equivalent to approximately MOP618 million), subject to individual works order(s) as may be issued by or on behalf of COD Resorts from time to time.

Based on the latest information available to the Company and in light of the entering into of the New COD Framework Agreement, the Board is of the view that the existing annual cap for the provision of Project and Supply Works for the year ending 31 December 2018 will not be sufficient and there is a need to set new annual caps for the provision of Project and Supply Works for the years ending 31 December 2019, 2020 and 2021. The Board has resolved to propose the revision of the existing annual cap for the provision of the Project and Supply Works for the year ending 31 December 2018 to MOP661.0 million (i.e. the Revised Annual Cap I for 2018), and further propose the adoption of the new annual caps for provision of the Project and Supply Works for the years ending 31 December 2019, 2020 and 2021 at MOP733.9 million, MOP288.4 million and MOP108.2 million, respectively (i.e. the New Annual Caps I for 2019, 2020 and 2021), in each case for approval by the Independent Shareholders by way of separate resolutions at the EGM.

FACILITY MANAGEMENT SERVICES — REVISION OF EXISTING ANNUAL CAPS

As set out in the Prospectus, the Group provides Facility Management Services (including the Melco Facility Management Services to the Melco Project Owners and the SC Facility Management Services to the SC Project Owner) from time to time which constitute continuing connected transactions of the Company and are subject to the aggregate annual caps of MOP50.2 million, MOP48.2 million and MOP25.5 million for the years ending 31 December 2018, 2019 and 2020, respectively.

Based on the latest information available to the Company, the Board is of the view that the existing annual caps for the provision of Facility Management Services for the years ending 31 December 2018, 2019 and 2020 will not be sufficient. The Board has resolved to propose the revision of the existing annual caps for the Facility Management Services to MOP82.3 million, MOP85.6 million and MOP88.1 million for each of the years ending 31 December 2018, 2019 and 2020, respectively (i.e. the Proposed Annual Caps II), for approval by the Independent Shareholders at the EGM.

LISTING RULES IMPLICATIONS

Each of the Melco Project Owners and the SC Companies is an associate of Mr. Ho, one of the substantial Shareholders of the Company. As such, each of the Melco Project Owners and the SC Companies is a connected person of the Company, and the provision of the Project and Supply Works and the provision of the Facility Management Services constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) of each of the Proposed Annual Caps I (for provision of the Project and Supply Works) and the Proposed Annual Caps II (for provision of the Facility Management Services) exceeds 5% respectively, the Project and Supply Works and the Facility Management Services and the adoption of the Proposed Annual Caps I and the Proposed Annual Caps II are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

A circular containing, amongst other things, further information on the Proposed Annual Caps and the transactions contemplated under the Project and Supply Works and the Facility Management Services, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, notice of EGM and any other information as may be required under the Listing Rules, is expected to be despatched to the Shareholders on or around 31 August 2018 as additional time is required to prepare and finalize the information to be included in the circular.

INTRODUCTION

References are made to the section headed "Connected Transactions" in the Prospectus in respect of, among other things, (i) the Group's provision of the Melco Project and Supply Works to COD Resorts; (ii) the Group's provision of the SC Project and Supply Works to the SC Companies; (iii) the Group's provision of the Melco Facility Management Services to the Melco Project Owners; and (iv) the Group's provision of the SC Facility Management Services to the SC Project Owner, which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The transactions under (i) and (ii) (i.e. the provision of the Project and Supply Works) are aggregated, and those under (iii) and (iv) (i.e. the provision of the Facility Management Services) are aggregated, pursuant to the Listing Rules.

Based on the latest information available to the Company, the Board proposes to adopt the Proposed Annual Caps I (for the provision of the Project and Supply Works) and the Proposed Annual Caps II (for the provision of the Facility Management Services) subject to approval by the Independent Shareholders.

PROJECT AND SUPPLY WORKS

As set out in the Prospectus, the Group provides structural steelworks, civil engineering construction, and fitting out and renovation works on a project-by-project basis to certain connected persons of the Company in the ordinary course of business of the Group, namely (i) the provision of the Melco Project and Supply Works to COD Resorts for the Melco Hotels and (ii) the provision of the SC Project and Supply Works to the SC Companies for the SC Hotel.

The tables below summarise the Melco Project and Supply Works and the SC Project and Supply Works that are ongoing as at the date of this announcement:

Melco Project and Supply Works

	Date of Contract	Parties	Scope of work	Estimated remaining contract sum and variation orders	Anticipated time of completion
1.	4 November 2016	(a) EHY Construction and Engineering (b) COD Resorts Limited	Supply and installation of internal atrium package and exoskeleton	MOP18.1 million	Third quarter of 2018
2.	30 October 2016	(a) EHY Construction and Engineering (b) COD Resorts Limited	Provision of site management service	MOP50.3 million	Third quarter of 2018
3.	31 October 2016	(a) EHY Construction and Engineering (b) COD Resorts Limited	Supply, installation, testing and commissioning of metal doors, fire shutters, fire curtain and linen chute works	MOP9.4 million	Third quarter of 2018
4.	20 July 2017	(a) EHY Construction and Engineering (b) COD Resorts Limited	Demolition and structural modification works	MOP24.3 million	Third quarter of 2018
5.	15 March 2017	(a) EHY Construction and Engineering (b) COD Resorts Limited	Main contract works for porte cochere at one of the Melco Hotels	MOP5.8 million	Third quarter of 2018

	Date of Contract	Parties	Scope of work	Estimated remaining contract sum and variation orders	Anticipated time of completion
6.	(i) 11 October 2017 (ii) 23 January 2018 (iii) 9 February 2018 (iv) 3 April 2018 (v) 6 April 2018 (vi) 4 May 2018 (vii) 30 May 2018	(a) EHY Construction and Engineering (b) COD Resorts Limited	Supply and installation and delivery of furniture at one of the Melco Hotels	MOP6.2 million	Third quarter of 2018
7.	(i) 17 October 2017 (ii) 6 March 2018 (iii) 12 March 2018 (iv) 29 March 2018 (v) 3 April 2018	(a) EHY Construction and Engineering (b) COD Resorts Limited	Supply and installation and delivery of furniture at the Melco Hotels	MOP2.6 million	Third quarter of 2018
8.	15 February 2018	(a) EHY Construction and Engineering (b) COD Resorts Limited	Signages license application and submission	MOP2.5 million	Second quarter of 2018 <i>(Note)</i>
9.	25 May 2018	(a) EHY Construction and Engineering (b) COD Resorts Limited	Demolition and structural works for escalators	MOP2.4 million	Third quarter of 2018
10.	6 June 2018	(a) EHY Construction and Engineering (b) COD Resorts Limited	Supply, installation and delivery of furniture at one of the Melco Hotels	MOP1.7 million	Third quarter of 2018
				Total: <u><u>MOP123.3 million</u></u>	

Note: The project is substantially completed in the second quarter of 2018.

SC Project and Supply Works

	Date of Contract	Parties	Scope of work	Estimated remaining contract sum and variation orders	Anticipated time of completion
1.	20 July 2017	(a) EHY Construction and Engineering (b) Studio City Developments Limited	Design and built of entrance of hotel	MOP5.3 million	Second quarter of 2018 <i>(Note)</i>
2.	4 December 2017	(a) EHY Construction and Engineering (b) Studio City Developments Limited	Gate entrance connection works	MOP5.4 million	Second quarter of 2018 <i>(Note)</i>

	Date of Contract	Parties	Scope of work	Estimated remaining contract sum and variation orders	Anticipated time of completion
3.	1 November 2017	(a) EHY Construction and Engineering (b) Studio City Hotels Limited	Provision of stagehands, riggers support and bearing lubrication services	MOP1.8 million	Fourth quarter of 2018
4.	(i) 25 October 2017 (ii) 15 November 2017 (iii) 17 November 2017 (iv) 21 November 2017 (v) 29 November 2017	(a) EHY Construction and Engineering (b) Studio City Developments Limited	Supply, installation and delivery of furniture and lighting at the SC Hotel	MOP1.8 million	Third quarter of 2018
5.	22 February 2018	(a) EHY Construction and Engineering (b) Studio City Developments Limited	External signage licensing works	MOP308,000	Second quarter of 2018 <i>(Note)</i>
				Total: <u><u>MOP14.6 million</u></u>	

Note: The projects are substantially completed in the second quarter of 2018.

The salient terms of the project contracts in relation to Project and Supply Works have been set out in the section headed “Business — Customers — Salient terms of project contracts with customers” on pages 167 to 168 of the Prospectus.

Pricing policy

The price for the Project and Supply Works to be charged by the Group is determined on a project-by-project basis through the tendering process, after taking into account the nature and complexity of the projects, technical requirements, construction schedule, subcontracting work, material and labour costs and other factors. The Group conducts preliminary costing and pricing analysis to ensure that the terms in the tenders are under normal commercial terms in the ordinary course of the Group’s business and such price is no more favourable to COD Resorts and/or the SC Companies than is available to other independent project owners.

Variation orders

It is envisaged that from time to time and as required, individual variation orders may be entered into between the Group (on one hand) and COD Resorts, the SC Companies and/or their respective affiliates (on the other hand). Each individual variation order will set out the scope of, and the fee (if any) for, the Project and Supply Works and any detailed specifications which may be relevant to the services. The terms of the orders will be on normal commercial terms and will be no more favourable to COD Resorts and/or the SC Companies than those available to other independent project

owners. As these variation orders will be entered into in connection with and will be of similar nature with the Project and Supply Works, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

NEW COD FRAMEWORK AGREEMENT

On 31 July 2018, EHY Construction and Engineering (an indirect wholly-owned subsidiary of the Company and as the contractor) entered into the New COD Framework Agreement with COD Resorts (as the employer) for the provision of additional Melco Project and Supply Works for the Melco Hotels for a term from 1 July 2018 to 30 June 2021 (both days inclusive) subject to individual works order(s) as may be issued by or on behalf of COD Resorts from time to time and a maximum contract amount of HK\$600 million (equivalent to approximately MOP618 million) for all the works orders (including variation orders) as may be issued thereunder.

Details of the principal terms of the New COD Framework Agreement are set out below:

Date

31 July 2018

Parties

- (i) EHY Construction and Engineering as the contractor
- (ii) COD Resorts Limited as the employer

Term

1 July 2018 to 30 June 2021, subject to early termination by either party by giving prior written notice to the other party.

Subject matter

EHY Construction and Engineering typically enters into individual contracts with COD Resorts for the provision of Melco Project and Supply Works on project-by-project basis after going through a tendering process.

Pursuant to the New COD Framework Agreement, EHY Construction and Engineering as the contractor shall provide the Melco Project and Supply Works for the Melco Hotels, including structural works to be executed, services to be performed and/or goods to be supplied (including all temporary work of every kind required or reasonably inferable for the construction, completion and maintenance of the aforesaid works) as may be ordered by or on behalf of COD Resorts from time to time pursuant to the written order(s) signed by the project manager of COD Resorts (or such project

manager's representative) and served on EHY Construction and Engineering. Each works order shall specify, among others, the valuation (including a schedule of rates), specifications and contract drawings for the works to be performed by EHY Construction and Engineering.

The aggregate contract amount of all works orders (including variation orders) issued under the New COD Framework Agreement during its term shall be capped at HK\$600 million (equivalent to approximately MOP618 million). The maximum contract amount of HK\$600 million has been determined after arm's length negotiation between the parties taking into account, among other matters, (i) the historical transaction amount of Melco Project and Supply Works provided by EHY Construction and Engineering to COD Resorts; (ii) the contracts awarded to EHY Construction and Engineering by COD Resorts in relation to Melco Project and Supply Works that were mainly commenced in 2017 and mainly completed in 2018; and (iii) the number and scale of additional alteration and addition (A&A) projects which may be demanded by COD Resorts over the next three years.

In the event that EHY Construction and Engineering, in its reasonable opinion, determines that the annual caps for the provision of the Melco Project and Supply Works (including but not limited to those to be provided under the New COD Framework Agreement) as may be announced by the Company and (where required) approved by the Shareholders pursuant to the Listing Rules from time to time for any accounting year may be exceeded, EHY Construction and Engineering may issue a written notice to the project manager of COD Resorts to withhold acceptance or performance of any further works order under the New COD Framework Agreement that may cause the relevant annual caps to be exceeded pending compliance by the Company with the applicable requirements under the Listing Rules.

Pricing and payment terms

The Group will adopt the pricing policy as set out under "Project and Supply Works — Pricing policy" above in relation to the preparation of tender proposals for the provision of Melco Project and Supply Works as contemplated under the New COD Framework Agreement. It is expected that EHY Construction and Engineering will submit tender proposals in response to the inquiries or invitations from COD Resorts from time to time, and works orders will be awarded to EHY Construction and Engineering by COD Resorts after going through a competitive tendering process, where the terms and conditions of the works order will be based on the relevant tender proposal and/or award in line with the New COD Framework Agreement.

Pursuant to the New COD Framework Agreement, EHY Construction and Engineering shall submit to the project manager of COD Resorts, on a monthly basis, signed statement(s) of any claim for interim payments in respect of the services provided and/or the works completed and other sums due to EHY Construction and Engineering

under the relevant works order(s). The project manager of COD Resorts will verify such payment request and shall within 14 days issue a payment certificate to EHY Construction and Engineering to certify the services performed and/or works completed by EHY Construction and Engineering, following which COD Resorts shall pay to EHY Construction and Engineering the amount due within 21 days.

HISTORICAL TRANSACTION AMOUNTS FOR PROJECT AND SUPPLY WORKS

The Group's revenue derived from the Melco Project and Supply Works and the SC Project and Supply Works for the three years ended 31 December 2017 and the four months ended 30 April 2018 are set out as follows:

(MOP in million)

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017	For the four months ended 30 April 2018 (Unaudited)
Revenue derived from the Melco Project and Supply Works	5.7	5.7	336.1	65.6
Revenue derived from the SC Project and Supply Works	<u>47.6</u>	<u>12.0</u>	<u>38.6</u>	<u>5.7</u>
Total	<u><u>53.3</u></u>	<u><u>17.7</u></u>	<u><u>374.7</u></u>	<u><u>71.3</u></u>

PROPOSED ANNUAL CAPS FOR THE PROJECT AND SUPPLY WORKS AND ITS BASIS OF DETERMINATION

Based on the latest information available to the Company and in light of the entering into of the New COD Framework Agreement, the Board is of the view that the existing annual cap for the provision of the Melco Project and Supply Works and the SC Project and Supply Works for the year ending 31 December 2018 as set out in the Prospectus will not be sufficient and there is a need to set new annual caps for the provision of the Melco Project and Supply Works and the SC Project and Supply Works for the years ending 31 December 2019, 2020 and 2021. The Board has resolved to propose the revision of the existing annual cap for the year ending 31 December 2018 (the “**Revised Annual Cap I for 2018**”), and further propose the adoption of the new annual caps for the years ending 31 December 2019, 2020 and 2021 (the “**New Annual Caps I for 2019, 2020 and 2021**”, together with the Revised Annual Cap I for 2018, the “**Proposed Annual Caps I**”) as follows, in each case for approval by the Independent Shareholders by way of separate resolutions at the EGM:

(MOP in million)

	Existing annual caps	Proposed annual caps			
	For the year ending 31 December 2018	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
Transactions in relation to the Melco Project and Supply Works	115.4	243.6	360.5	288.4	108.2
Transactions in relation to the SC Project and Supply Works	<u>13.0</u>	<u>417.4</u>	<u>373.4</u>	<u>Nil</u>	<u>Nil</u>
Total	<u>128.4</u>	<u>661.0</u>	<u>733.9</u>	<u>288.4</u>	<u>108.2</u>

The Proposed Annual Caps I (including the revision of the existing annual caps for the year ending 31 December 2018 and the adoption of the new annual caps for the years ending 31 December 2019, 2020 and 2021) have been determined primarily based on the following factors: (i) the aggregate contracted amount of approximately MOP123.3 million and MOP14.6 million for the Melco Project and Supply Works and SC Project

and Supply Works, respectively, which has been secured by the Group up to the date of this announcement and in respect of which revenue is expected to be recognised during the year ending 31 December 2018; (ii) the tenders to be secured in respect of transactions contemplated under the New COD Framework Agreement in respect of the four years ending 31 December 2021, including new projects to be launched by the Melco Hotels for the years ending 31 December 2018, 2019, 2020 and 2021; (iii) the potential new projects that the Company will bid for which will be launched by the SC Companies; and (iv) a sufficient buffer for both the Melco Project and Supply Works and SC Project and Supply Works to ensure smooth running of the projects taking into account (a) the certification and payment schedule between the Group (on one hand) and COD Resorts and/or the SC Companies (on the other hand) pursuant to the underlying contracts, which may accelerate or delay recognition of revenue by the Group; (b) potential increase in materials and labour costs leading to an increase in the project sum, having regard to the inflation rate in Macau during the last five years and the general upward trend of material and labour costs in Macau as seen in recent year; and (c) ad-hoc requests, redecoration and changes to the original plans or contracted scope of work of the Melco Hotels and/or the SC Hotel that the Company cannot presently foresee.

If the transactions in relation to the Melco Project and Supply Works and SC Project and Supply Works for any of the above years exceed the relevant Proposed Annual Caps I, the Company will fully comply with all the relevant requirements as stipulated under Chapter 14A of the Listing Rules.

FACILITY MANAGEMENT SERVICES

As set out in the Prospectus, the Group provides facility management, alteration and maintenance works and services on a project-by-project basis to certain connected persons of the Company in the ordinary course of business of the Group, namely (i) the provision of the Melco Facility Management Services to the Melco Project Owners for the Melco Hotels and (ii) the provision of the SC Facility Management Services to the SC Project Owner for the SC Hotel.

The tables below summarise the Melco Facility Management Services and the SC Facility Management Services that are ongoing as at the date of this announcement:

Melco Facility Management Services

	Date of Contract	Parties	Scope of work	Estimated remaining contract sum and variation orders	Anticipated time of completion
1.	6 October 2017	(a) EHY Construction and Engineering (b) COD Resorts Limited	Provision of operation and maintenance services for energy centres and mechanical, electrical and plumbing systems of hotel complex	MOP52.3 million	Second quarter of 2020 <i>(Note)</i>
2.	6 October 2017	(a) EHY Construction and Engineering (b) Altira Resorts Limited	Provision of operation and maintenance services for energy centres and mechanical, electrical and plumbing systems of hotel complex	MOP34.9 million	Second quarter of 2020 <i>(Note)</i>
3.	1 November 2017	(a) EHY Construction and Engineering (b) COD Resorts Limited	Provision of door maintenance services for hotel complex	MOP2.8 million	Fourth quarter of 2019 <i>(Note)</i>
4.	1 January 2018	(a) EHY Construction and Engineering (b) Golden Future (Management Services) Limited	Provision of maintenance and repair services of office	MOP2.5 million	Fourth quarter of 2019 <i>(Note)</i>
5.	1 November 2017	(a) EHY Construction and Engineering (b) Altira Resorts Limited	Provision of door maintenance services for hotel complex	MOP1.0 million	Fourth quarter of 2019 <i>(Note)</i>
6.	1 December 2017	(a) EHY Construction and Engineering (b) Altira Resorts Limited	Provision of maintenance services for lighting system of hotel complex	MOP384,000	Fourth quarter of 2019 <i>(Note)</i>
7.	29 September 2017	(a) EHY Construction and Engineering (b) COD Resorts Limited	Provision of maintenance services for uninterruptible power supply system of hotel complex	MOP175,000	Fourth quarter of 2019
8.	20 June 2018	(a) EHY Construction and Engineering (b) COD Resorts Limited	Provision of repair and maintenance services for hotel rooms, guest lift lobby, guest floor corridor and gaming area at the Melco Hotels	MOP3.1 million	Fourth quarter of 2019

Date of Contract	Parties	Scope of work	Estimated remaining contract sum and variation orders	Anticipated time of completion
9. 20 June 2018	(a) EHY Construction and Engineering (b) Altira Resorts Limited	Provision of repair and maintenance services for hotel rooms, guest lift lobby, guest floor corridor and gaming area at one of the Melco Hotels	MOP1.0 million	Fourth quarter of 2019
			Total: <u>MOP98.2 million</u>	

Note: The parties have options to renew the term of services for a further term of two years, subject to the parties agreeing to such renewal and the applicable requirements of the Listing Rules.

SC Facility Management Services

Date of Contract	Parties	Scope of work	Estimated remaining contract sum and variation orders	Anticipated time of completion
1. 6 October 2017	(a) EHY Construction and Engineering (b) Studio City Hotels Limited	Provision of operation and maintenance services for energy centres and mechanical, electrical and plumbing systems of hotel complex	MOP51.3 million	Third quarter of 2020 <i>(Note)</i>
2. 1 November 2017	(a) EHY Construction and Engineering (b) Studio City Hotels Limited	Provision of door maintenance services for hotel complex	MOP3.1 million	Fourth quarter of 2019 <i>(Note)</i>
3. 17 January 2018	(a) EHY Construction and Engineering (b) Studio City Hotels Limited	Provision of repair and maintenance services for hotel rooms, guest lift lobby, guest floor corridor and gaming area at the SC Hotel	MOP1.0 million	Fourth quarter of 2019
4. 13 September 2017	(a) EHY Construction and Engineering (b) Studio City Hotels Limited	Provision of maintenance services of partition wall at the SC Hotel	MOP242,000	Third quarter of 2019
5. 29 September 2017	(a) EHY Construction and Engineering (b) Studio City Hotels Limited	Provision of maintenance services for uninterruptible power supply system of hotel complex	MOP65,000	Fourth quarter of 2019
			Total: <u>MOP55.7 million</u>	

Note: The parties have options to renew the term of services for a further term of two years, subject to the parties agreeing to such renewal and the applicable requirements of the Listing Rules.

The salient terms of the project contracts in relation to Facility Management Services have been set out in the section headed “Business — Customers — Salient terms of project contracts with customers” on pages 170 to 171 of the Prospectus.

Pricing policy

The price for the Facility Management Services to be charged by the Group is determined on a project-by-project basis through the tendering process, and is priced on a cost-plus basis. In formulating prices for the Facility Management Services, the Group takes into account the costs for carrying out the services with reference to nature and complexity of the projects, maintenance schedules, labour costs and other factors. The Group conducts preliminary costing and pricing analysis to ensure that terms in the tender are under normal commercial terms in the ordinary course of the Group's business and such price is no more favourable to the Melco Project Owners and/or the SC Project Owner than is available to other independent project owners.

Variation orders

It is envisaged that from time to time and as required, individual variation orders may be required to be entered into between the Group (on one hand) and the Melco Project Owners and/or the SC Project Owner and/or their respective affiliates (on the other hand) during the course of the provision of Facility Management Services by the Group. Each individual variation order will set out the scope of, and the fee (if any) for, the maintenance and repair services required and any detailed specifications which may be relevant to the services. The Group will ensure that the terms of the orders will be on normal commercial terms and will be no more favourable to the Melco Project Owners and/or the SC Project Owner than is available to other independent project owners.

HISTORICAL TRANSACTION AMOUNTS FOR FACILITY MANAGEMENT SERVICES

The Group's revenue derived from the Melco Facility Management Services and the SC Facility Management Services for the three years ended 31 December 2017 and the four months ended 30 April 2018 are set out as follows:

(MOP in million)

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017	For the four months ended 30 April 2018 (Unaudited)
Revenue derived from the Melco Facility Management Services	Nil	Nil	16.7	10.5
Revenue derived from the SC Facility Management Services	<u>Nil</u>	<u>Nil</u>	<u>4.3</u>	<u>7.3</u>
Total	<u>Nil</u>	<u>Nil</u>	<u>21.0</u>	<u>17.8</u>

PROPOSED ANNUAL CAPS FOR FACILITY MANAGEMENT SERVICES AND ITS BASIS OF DETERMINATION

Based on the latest information available to the Company, the Board is of the view that the existing annual caps for Melco Facility Management Services and SC Facility Management Services for the years ending 31 December 2018, 2019 and 2020 as set out in the Prospectus will not be sufficient. The Board has resolved to propose the revision of the existing annual caps for the years ending 31 December 2018, 2019 and 2020 (the “**Proposed Annual Caps II**”) as follows for approval by the Independent Shareholders at the EGM:

(MOP in million)

	For the year ending 31 December					
	2018		2019		2020	
	Existing annual caps	Proposed annual caps	Existing annual caps	Proposed annual caps	Existing annual caps	Proposed annual caps
Transactions in relation to the Melco Facility Management Services	30.4	56.2	28.8	56.9	12.7	56.3
Transactions in relation to the SC Facility Management Services	<u>19.8</u>	<u>26.1</u>	<u>19.4</u>	<u>28.7</u>	<u>12.8</u>	<u>31.8</u>
Total	<u><u>50.2</u></u>	<u><u>82.3</u></u>	<u><u>48.2</u></u>	<u><u>85.6</u></u>	<u><u>25.5</u></u>	<u><u>88.1</u></u>

The Proposed Annual Caps II have been determined primarily based on the following factors: (i) the aggregate contracted amounts of approximately MOP98.2 million and MOP55.7 million for the Melco Facility Management Services and SC Facility Management Services respectively which have been secured by the Group up to the date of this announcement and in respect of which revenue is expected to be recognised in the three years ending 31 December 2020; (ii) the expected new facility management and maintenance projects in respect of the Melco Hotels and the SC Hotel for the years ending 31 December 2018, 2019 and 2020, including the potential new projects that the Company will bid for which will be launched by the SC Companies; (iii) the recently opened hotel under Melco Hotels which the Group is targeting to provide the full suite of facility management services, such as plumbing, ventilation and electrical systems; and (iv) a sufficient buffer for both the Melco Facility Management Services and SC Facility Management Services to ensure smooth running of the projects, taking into account (a) the wear and tear of the systems, equipment and facilities within the Melco Hotels and the SC Hotel over time; (b) the increasing frequency of maintenance works and emergency works as a result of (a) above; (c) the increase in ad-hoc purchase of parts and components needed to be replaced as a result of (a) above; (d) potential increase in materials and labour costs leading to an increase in the project sum, having regard to the inflation rate in Macau during the last five

years and the general upward trend of material and labour costs in Macau as seen in recent years; and (e) ad-hoc requests and changes to the original plans of or contracted scope of services required by the Melco Project Owners and/or the SC Project Owner that the Company cannot presently foresee.

If the transactions in relation to the Melco Facility Management Services and SC Facility Management Services for any of the above years exceed the relevant Proposed Annual Caps II, the Company will fully comply with all the relevant requirements as stipulated under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

To safeguard the interest of the Group and the Shareholders under the continuing connected transactions in relation to the Project and Supply Works and Facility Management Services, the Company has adopted the following internal control measures:

- a. the relevant management personnel of the Group will closely monitor the transactions in relation to the Project and Supply Works and Facility Management Services to ensure that the total transaction amount does not exceed the stipulated annual caps;
- b. prior to submitting tenders/quotations for the Project and Supply Works (including the works anticipated under the New COD Framework Agreement) and/or Facility Management Services, the relevant management personnel of the Group shall ensure that the terms are negotiated on an arm's length basis, are in compliance with the pricing policy of the Group as set out under "Project and Supply Works — Pricing Policy" and "Facility Management Services — Pricing Policy" above, and are normal commercial terms that are no more favourable to the relevant connected persons than the terms with independent project owners;
- c. the relevant management personnel of the Group will conduct regular checks to review and assess whether the transactions contemplated under the Project and Supply Works and/or Facility Management Services are conducted in accordance with the terms set out in the underlying tender document(s), framework agreement(s) (including the New COD Framework Agreement) and/or works order(s) and whether the consideration for the transactions are fair and reasonable and in accordance with the pricing policies set out in such transaction documents;
- d. the Company's external auditors will conduct an annual review of the transactions in relation to the Project and Supply Works and Facility Management Services to ensure the transaction amounts are within the annual caps and the transactions are in accordance with the terms of the underlying tender document(s), framework agreement(s) (including the New COD Framework Agreement) and/or works order(s); and

- e. the independent non-executive Directors will conduct quarterly reviews of the status of the transactions in relation to the Project and Supply Works and Facility Management Services to ensure that the Group has complied with its internal approval process, the terms of the underlying tender document(s), framework agreement(s) (including the New COD Framework Agreement) and/or works order(s), and the relevant requirements under the Listing Rules.

The Directors are of the view that the above internal control measures are appropriate in ensuring that the transactions in relation to the Project and Supply Works and Facility Management Services will be conducted on normal commercial terms, will not be prejudicial to the interests of the Company and its minority Shareholders and in compliance with the relevant requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFIT OF THE CONTINUING CONNECTED TRANSACTIONS

The Board is of the view that the continuing connected transactions in relation to the Project and Supply Works (including those contemplated under the New COD Framework Agreement) and the Facility Management Services are essential to the business development of, and beneficial to, the Company. In forming such view, the Board has taken into account the following factors: (i) the Company expects to continue and maintain long-term business relationship with the Melco Project Owners, the SC Companies and Melco International and its affiliates; and (ii) the revenue received by the Group from the Melco Project Owners and the SC Companies will continue to provide an additional, reliable and stable source of income for the Group.

The Board (including the independent non-executive Directors) considers that: (i) the transactions in relation to the Project and Supply Works (including those contemplated under the New COD Framework Agreement) and the Facility Management Services are conducted on normal commercial terms which are no less favourable to the Company than those available from independent third parties, are entered into in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, each of the Melco Project Owners and the SC Companies is an indirect subsidiary of Melco International, which in turn is owned as to approximately 53.61% (including beneficial interest, interest of his controlled corporations and interest of a trust in which he is one of the beneficiaries and taken to have interest by virtue of the SFO) by Mr. Ho, one of the substantial shareholders of the Company. As such, each of the Melco Project Owners and the SC Companies is an associate of Mr. Ho and therefore a connected person of the Company, and the provision of the Project and Supply Works and the provision of the Facility Management Services constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the transactions in relation to the Melco Project and Supply Works and the SC Project and Supply Works are similar in nature, the transactions thereunder are aggregated pursuant to the Listing Rules.

As the transactions in relation to the Melco Facility Management Services and the SC Facility Management Services are similar in nature, the transactions thereunder are aggregated pursuant to the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of each of the Proposed Annual Caps I (for provision of the Project and Supply Works) and the Proposed Annual Caps II (for provision of the Facility Management Services) exceeds 5%, the Project and Supply Works and the Facility Management Services as well as the Proposed Annual Caps I and the Proposed Annual Caps II are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Ho has indirect shareholding interest in each of the Melco Project Owners and the SC Companies which are parties to the continuing connected transactions in relation to the Project and Supply Works and the Facility Management Services, and King Dragon, which holds 240,000,000 Shares representing 20% of the total number of issued shares of the Company as at the date of this announcement, is wholly-owned by Mr. Ho, therefore King Dragon is deemed to have material interest in the relevant resolutions for approving the transactions under the Project and Supply Works (including the transactions under the New COD Framework Agreement) and the Facility Management Services as well as the Proposed Annual Caps to be proposed at the EGM and shall abstain from voting on the relevant resolutions at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the other Shareholders has a material interest in the relevant resolutions on the Proposed Annual Caps to be proposed at the EGM and is required to abstain from voting on the relevant resolutions at the EGM.

None of the Directors has a material interest in the transactions under the Project and Supply Works (including the transactions under the New COD Framework Agreement) and the Facility Management Services and the Proposed Annual Caps and hence no Director is required to abstain from voting on the Board resolutions approving the entering into of the transactions under the Project and Supply Works (including the transactions under the New COD Framework Agreement) and the Facility Management Services and the Proposed Annual Caps.

INFORMATION OF THE PARTIES TO THE CONTINUING CONNECTED TRANSACTIONS

The Group is a renowned integrated construction engineering contractor and power substations contractor in Macau.

EHY Construction and Engineering is an indirect wholly-owned subsidiary of the Company and was incorporated in Macau on 7 September 2010. EHY Construction and Engineering is principally engaged in (i) structural steelworks, civil engineering construction, and fitting out and renovation works; (ii) high voltage power substation construction and its system installation works; and (iii) facilities management, alteration and maintenance works and services.

Each of the Melco Project Owners, namely Altira Resorts Limited, COD Resorts Limited and Golden Future (Management Services) Limited, is a company incorporated in Macau with limited liability. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, as at the date of this announcement, each of the Melco Project Owners is (i) an indirect subsidiary of Melco International; and (ii) principally engaged in integrated entertainment resort development and related operations.

Each of the SC Companies, namely Studio City Developments Limited and Studio City Hotels Limited, is a company incorporated in Macau with limited liability. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, as at the date of this announcement, each of the SC Company is (i) an indirect subsidiary of Melco International; and (ii) principally engaged in integrated entertainment resort development and related operations.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in connection with the transactions contemplated under the Project and Supply Works (including those under the New COD Framework Agreement) and the Facility Management Services and the Proposed Annual Caps. An Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of transactions contemplated under the Project and Supply Works and the Facility Management Services and the Proposed Annual Caps.

A circular containing, amongst other things, further information on the transactions contemplated under the Project and Supply Works and the Facility Management Services and the Proposed Annual Caps, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, the notice of EGM and other information as may be required under the Listing Rules, is expected to be issued to the Shareholders on or around 31 August 2018 as additional time is required to prepare and finalize the information to be included in the circular.

If there is expected to be a delay in despatch of the circular, a further announcement will be published by the Company in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular.

DEFINITION

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

- “associate(s)” has the meaning ascribed to it under the Listing Rules
- “Board” the board of Directors
- “COD Resorts” COD Resorts Limited, a company incorporated in Macau with limited liability
- “Company” MECOM Power and Construction Limited, an exempted company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1183)
- “connected person(s)” has the meaning ascribed to it under the Listing Rules
- “Director(s)” the director(s) of the Company
- “EGM” the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Project and Supply Works and the Facility Management Services as well as the Proposed Annual Caps
- “EHY Construction and Engineering” EHY Construction and Engineering Company Limited, a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of the Company

“Facility Management Services”	collectively, Melco Facility Management Services and SC Facility Management Services
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“King Dragon”	King Dragon Ventures Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Ho as at the date of this announcement
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors, namely Ms. Chan Po Yi Patsy, Mr. Cheung Kiu Cho, Vincent and Dr. Ngan Matthew Man Wong, established to advise the Independent Shareholders in respect of the Proposed Annual Caps
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Annual Caps
“Independent Shareholders”	all Shareholders other than the Shareholders with a material interest in transactions in relation to the Project and Supply Works (including the transactions contemplated under the New COD Framework Agreement) and/or the Facility Management Services
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Melco Facility Management Services”	facilities management, alteration and maintenance works and services for the Melco Hotels time to time
“Melco Hotels”	hotel resorts and other business properties in Macau owned and/or operated by the Melco Project Owners and/or their affiliates

“Melco International”	Melco International Development Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 200)
“Melco Project and Supply Works”	structural steelworks, civil engineering construction, and fitting out and renovation works for the Melco Hotels from time to time
“Melco Project Owners”	collectively, Altira Resorts Limited, COD Resorts and Golden Future (Management Services) Limited
“MOP”	Macanese pataca, the lawful currency of Macau
“Mr. Ho”	Mr. Ho, Lawrence Yau Lung, a substantial shareholder of the Company
“New COD Framework Agreement”	the term contract dated 31 July 2018 entered into between EHY Construction and Engineering as the contractor and COD Resorts as the employer in relation to Melco Project and Supply Works as may be ordered by or on behalf of COD Resorts from time to time
“Project and Supply Works”	collectively, the Melco Project and Supply Works and SC Project and Supply Works
“Proposed Annual Caps”	collectively, the Proposed Annual Caps I (including the Revised Annual Cap I for 2018 and the New Annual Caps I for 2019, 2020 and 2021) and the Proposed Annual Caps II
“Prospectus”	prospectus of the Company dated 1 February 2018 in relation to the listing of the Company on the Main Board of the Stock Exchange
“SC Companies”	Studio City Developments Limited and Studio City Hotels Limited, which are companies incorporated in Macau with limited liability
“SC Facility Management Services”	facilities management, alteration and maintenance works and services for the SC Hotel from time to time
“SC Hotel”	a hotel resort in Cotai, Macau owned and/or operated by Studio City Hotels Limited and/or its affiliates

“SC Project and Supply Works”	structural steelworks, civil engineering construction, and fitting out and renovation works for the SC Hotel from time to time
“SC Project Owner”	Studio City Hotels Limited
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

In this announcement, the exchange rate of HK\$1 = MOP1.03 has been adopted for currency translation, where applicable. Such exchange rate is used for illustrative purpose only and does not constitute any representation that any amount in HK\$ or MOP has been, could have been or may be converted at such a rate or any other rate.

By Order of the Board
MECOM Power and Construction Limited
Kuok Lam Sek
Chairman

Hong Kong, 31 July 2018

As at the date of this announcement, the executive Directors are Mr. Kuok Lam Sek and Mr. Sou Kun Tou, and the independent non-executive Directors are Ms. Chan Po Yi, Patsy, Mr. Cheung Kiu Cho, Vincent and Dr. Ngan Matthew Man Wong.